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PAGE 01 LONDON 14550 01 OF 02 151549Z

46

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-07 INR-07 LAB-04

NSAE-00 SIL-01 TRSE-00 OMB-01 SAJ-01 DODE-00 PM-04

H-02 L-03 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

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TAGS: PINT, PGOV, UK

SUBJECT: LABOR PARTY CONFERENCE: ECONOMIC POLICY TO BE
CHALLENGED

REF: LONDON 14183

SUMMARY. PREDICTABLY, THE GOVERNMENT'S ECONOMIC POLICIES
WILL BE THE PRINCIPAL TARGET OF DISSIDENT ATTACK AT THE
SEPTEMBER 27 - OCTOBER 1 LABOR PARTY CONFERENCE. MANY
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PAGE 02 LONDON 14550 01 OF 02 151549Z

PROPOSED RESOLUTIONS CRITICAL OF ONE OR MORE ASPECTS OF

THE GOVERNMENT'S POLICIES ARE ALREADY ON THE DOCKET, AND AN ESPECIALLY NETTLESOME CHALLENGE WAS MOUNTED BY THE HOME POLICY SUB-COMMITTEE OF THE PARTY'S NATIONAL EXECUTIVE COMMITTEE (NEC) ON SEPTEMBER 13. CHAIRED BY ENERGY SECRETARY TONY BENN AND DOMINATED BY THE LEFT-WING, THIS SUB-COMMITTEE APPROVED A DRAFT STATEMENT ASSERTING THAT RECENT EXPENDITURE CUTS CANNOT BE ACCEPTED BECAUSE THEY WILL INCREASE UNEMPLOYMENT, SLOW GROWTH AND PERPETUATE SOCIAL DEPRIVATION. WE ANTICIPATE CALLAGHAN WILL SEEK TO BLOCK THE SUB-COMMITTEE'S STATEMENT AT THE NEC'S PRE-CONFERENCE MEETING, AND THAT HIS SUCCESS WILL HINGE ON SUPPORT FROM THE TRADE UNION MEMBERS. SHOULD THIS EFFORT FAIL, CALLAGHAN WILL BE FACED WITH AN ACUTELY EMBARRASSING SITUATION WHICH COULD ALSO WEAKEN CONFIDENCE IN HIS GOVERNMENT, AS THE CONFERENCE WOULD ALMOST CERTAINLY ENDORSE A RESOLUTION ALONG THESE LINES. SUCH AN OUTCOME, HOWEVER, WOULD NOT AFFECT THE GOVERNMENT'S ACTIONS. BENN. IN HIS ROLE AS SUB-COMMITTEE CHAIRMAN, ALSO APPEARS TO HAVE CONTRAVENED CALLAGHAN'S EDICT THAT ALL MEMBERS OF THE GOVERNMENT MUST SUPPORT ITS POLICIES, CASTING A SHADOW OVER THE PREVIOUSLY EXCELLENT RELATIONSHIP BETWEEN THE TWO MEN. END SUMMARY

1. IT HAS BEEN EVIDENT FOR SOME TIME THAT THE ANNUAL LABOR PARTY CONFERENCE (SEPTEMBER 27 - OCTOBER 1) WOULD FEATURE A MAJOR ATTACK ON THE GOVERNMENT'S ECONOMIC POLICIES. WHILE THE LEFT-WING IS EXPECTED TO LEAD THE CHARGE, CRITICISM OF CURRENT POLICIES, ESPECIALLY THE RECENT SPENDING CUTS, HAS BEEN VOICED BY MODERATES AND RIGHT-WINGERS AS WELL -- WITNESS THE TUC'S RECENT APPROVAL OF A RESOLUTION CONDEMNING THE CUTS (REFTEL). WE UNDERSTAND THAT CONSTITUENCY PARTY ORGANIZATIONS AND AFFILIATED UNIONS HAVE SUBMITTED SEVERAL RESOLUTIONS CRITICAL OF THE SPENDING CUTS AND OTHER ASPECTS OF THE GOVERNMENT'S ECONOMIC POLICIES. THIS PROBLEM -- A TRADITIONAL HEADACHE FOR LABOR GOVERNMENTS -- IS USUALLY MANAGEABLE BY VIRTUE OF THE GOVERNMENT'S CONTROL OF THE CONFERENCE PROCEDURAL MACHINERY AND THE FACT THAT CONFERENCE DECISIONS, IF ADVERSE, CANNOT BE ENFORCED. A MORE SERIOUS THREAT, HOWEVER, EMERGED SEPTEMBER 13 WHEN LIMITED OFFICIAL USE

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PAGE 03 LONDON 14550 01 OF 02 151549Z

THE NEC'S HOME POLICY SUB-COMMITTEE APPROVED A DRAFT "EMERGENCY" RESOLUTION LAMBASTING THE GOVERNMENT STRATEGY, PARTICULARLY THE RECENT SPENDING CUTS. WHILE THIS DEVELOPMENT WAS NOT PARTICULARLY SURPRISING -- THE LEFT-IST-DOMINATED SUB-COMMITTEE HAS FREQUENTLY BEEN USED FOR SUCH MANEUVERS -- ITS PREDICTABILITY IN NO WAY LESSENS ITS POTENTIAL TO EMBARRASS THE GOVERNMENT OR TO WEAKEN CONFIDENCE IN THE GOVERNMENT'S ABILITY TO MANAGE THE

ECONOMY, EVEN THOUGH SUCH RESOLUTIONS HAVE NO DIRECT
EFFECT ON HMG'S POLICY OR ACTIONS.

2. THE SUB-COMMITTEE STATEMENT, APPROVED IN THE ABSENCE
OF NEC MODERATES, WAS DRAFTED BY FORMER HEALTH SECRETARY
BARBARA CASTLE AND ASSERTS THAT THE PARTY IS "APPALLED
BY...EFFECTS OF THE GOVERNMENT'S PUBLIC EXPENDITURE CUTS
ON VITAL SOCIAL SERVICES SUCH AS HOUSING; ON THE LEVEL OF
UNEMPLOYMENT AND THE PROSPECTS FOR ECONOMIC GROWTH",
ADDING THAT "IT CANNOT ACCEPT THAT THE CUTS ARE NECESSARY"
OR THAT ECONOMIC RECOVERY CAN "BE BUILT ON POLICIES WHICH
JEOPARDIZE THE SOCIAL CONTRACT AND DENY THE SOCIAL NEEDS
OF OUR PEOPLE BY PERPETUATING THE APPALLING CONDITIONS

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PAGE 01 LONDON 14550 02 OF 02 151552Z

46

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UNDER WHICH SO MANY OF THEM LIVE". THE LEFTISTS NOW SEEK FULL NEC APPROVAL OF THE STATEMENT EITHER AS AN EMERGENCY RESOLUTION OR AS A STATEMENT BY THE NEC. THE ISSUE WILL BE JOINED AT THE REGULAR EVE-OF-THE-CONFERENCE NEC MEETING NEXT WEEK. CALLAGHAN, FOR HIS PART, WILL ATTEMPT TO RALLY THE NEC MODERATES TO BLOCK THE LEFTISTS IN THAT FORUM, AND CAN PROBABLY COUNT ON THE CONFERENCE ARRANGEMENTS COMMITTEE TO RULE THAT THE STATEMENT IS LIMITED OFFICIAL USE

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PAGE 02 LONDON 14550 02 OF 02 151552Z

INADMISSIBLE AS AN EMERGENCY RESOLUTION.

3. THE POSSIBILITY OF DEFEATING THE SUB-COMMITTEE'S STATEMENT IN THE NEC WILL BE DETERMINED BY THE POSITION TAKEN BY THE 12 TRADE UNION REPRESENTATIVES ON THAT 29-MEMBER BODY. NORMALLY, THEY COULD BE EXPECTED TO SUPPORT THE GOVERNMENT, BUT LAST WEEK'S TUC RESOLUTION CONDEMNING THE PUBLIC SPENDING CUTS MAY LIMIT THEIR FREEDOM OF ACTION. SHOULD THE SUB-COMMITTEE STATEMENT ULTIMATELY REACH THE CONFERENCE FLOOR IN ITS PRESENT OR AMENDED FORM -- SEVERAL RESOLUTIONS HOSTILE TO THE GOVERNMENT'S ECONOMIC POLICIES WILL BE DEBATED -- CALLAGHAN AND HIS NEC ALLIES WILL BE IN A DIFFICULT POSITION. AS THIS WOULD MEAN THAT THE STATEMENT HAD BEEN ENDORSED BY THE NEC, CALLAGHAN AND OTHERS DEFENDING GOVERNMENT STRATEGY WOULD BE FORCED TO SPEAK FROM THE FLOOR RATHER THAN THE ROSTRUM. MOREOVER, THE STATEMENT WOULD ALMOST CERTAINLY BE ENDORSED BY THE DELEGATES, SINCE THE POSITION OF THE UNIONS, WITH THEIR OVERWHELMING BLOC VOTE, WOULD HAVE BEEN DETERMINED IN THE EARLIER NEC MEETING.

4. ALTHOUGH THE QUESTION OF THE GOVERNMENT'S ECONOMIC STRATEGY WILL ADD SPICE TO THE TRADITIONALLY CONTENTIOUS LABOR PARTY CONFERENCE AND MAY EMBARRASS THE GOVERNMENT, THE FINAL PRODUCT IS UNLIKELY TO HAVE A SIGNIFICANT EFFECT ON CURRENT POLICIES. IT WILL, HOWEVER, PROVIDE A MAJOR TEST OF CALLAGHAN'S VAUNTED POLITICAL SKILLS. IF HE IS ABLE SUCCESSFULLY TO MANIPULATE THE CONFERENCE TO LIMIT OUTWARD SIGNS OF INTERNAL STRESS AND DIFFERENCES WITH THE GOVERNMENT, HE WILL GAIN A RESPITE. IF HE FAILS, THE LEFT IS LIKELY TO INCREASE ITS PRESSURE. IN THE SLIGHTLY LONGER TERM, BENN'S ROLE IN THIS AFFAIR MAY FORESHADOW A NEW TURN IN HIS RELATIONS WITH CALLAGHAN.

ACCORDING TO PRESS AND PRIVATE ACCOUNTS. BENN ACTED WITH STRICT NEUTRALITY WHILE CHAIRING THE SUB-COMMITTEE MEETING, PLACING HIMSELF IN APPARENT CONTRAVENTION OF THE PRIME MINISTER'S EDICT THAT MEMBERS OF THE GOVERNMENT MUST SUPPORT THE GOVERNMENT AT ALL TIMES. BENN, OF COURSE, WILL HAVE AN OPPORTUNITY TO REDEEM HIMSELF WHEN THE FULL NEC DELIBERATES THE QUESTION, PRESUMABLY WITH CALLAGHAN PRESENT. IF BENN SHOULD VOTE AGAINST HIS OWN LIMITED OFFICIAL USE

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PAGE 03 LONDON 14550 02 OF 02 151552Z

SUB-COMMITTEE IN THE LARGER FORUM, HE WOULD RISK APPEARING THE OPPORTUNIST WHO SOUGHT TO ENHANCE HIS OWN POPULARITY AND DEMONSTRATE HIS "SOCIALIST" CREDENTIALS AT THE GOVERNMENT'S EXPENSE. THIS EPISODE, IN ANY EVENT, MAY WELL CHILL BENN'S RELATIONS WITH CALLAGHAN WHICH, UNTIL NOW, HAVE BEEN WARM, FRIENDLY AND BASED ON MUTUAL RESPECT.

ARMSTRONG

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